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19 April 1989

Dr. Ralph Sultan
Vice President
Curragh Resources
2320 - 120 Adelaide Street West
Toronto, Ontario

Dear Ralph:

Re: LaForma Gold Project

Enclosed please find comprehensive reports regarding this Yukon mining project.

Highlights

1. Grades of up to 10 oz. au/ton mined until 1964.
2. 200,000 tons grading .38 oz. cut and graded proven reserves known.
3. Open to depth and to the north.
4. Metallurgy excellent.
5. Could be upward of 1 million tons.
6. \$1.5 million recently spent.
7. In a well known gold camp.

Negatives


1. Some sluffing in mine, mined using a cut and fill method.
2. Muck in mine has reduced grade from .75 to .38/oz. ton.
3. Abused by years of under financed mining promoters.
4. Needs \$1.5 - \$2.0 million to prove upside.
5. Would carry a 3% N.S.R.

Opportunity

1. Hard value reserves \$2 million plus.
2. Can be purchased for \$500,000 cash and notes (maximum) plus \$1,000,000 in stock (maximum) - with a one year option to repurchase at deemed issuance price.

There are several companies looking at this deal at considerably higher prices. I believe that a down payment could tie this up while opportunity is evaluated. As usual, there is a short time fuse!

Sincerely,


Robert L. Hodgkinson
Vice President

To: Kurt
Fougard
Curragh
PER _____
Let's discuss.
This company
could be "stolen"
(???)

A VALUATION OF THE

LAFORMA GOLD MINE

DORON EXPLORATIONS INC.

COPY

GLANVILLE MANAGEMENT LTD.

A VALUATION OF THE
LAFORMA GOLD MINE
FOR
DORON EXPLORATIONS INC.

October, 1988

Prepared by: Ross O. Glanville
B.A.Sc., P.Eng., M.B.A. C.G.A.
President
Glanville Management Ltd.
7415 Pandora Drive
Burnaby, British Columbia
Canada, V5A 3W1

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GLANVILLE MANAGEMENT LTD.

October 14, 1988

Mr. Ted Yardley, President
Doron Explorations Inc.
P.O. Box 10106
IBM Tower
1560-701 West Georgia Street
Vancouver, B.C.
V7Y 1C6

Dear Mr. Yardley:

Glanville Management Ltd. has determined that the fair market value of the Laforma Mine, after deducting the 3% net smelter return royalty, is \$3.0 million. However, because of the risks inherent in exploration and mining, as well as the uncertainty of external factors, such as the future gold price, I believe that a reasonable range of value is between two and four million dollars.

I have also recommended an exploration program for the next year that is estimated to cost approximately \$2.1 million.

I wish to thank you for providing me with information and assistance as needed, and I trust that the attached report meets your requirements.

Yours very truly,

GLANVILLE MANAGEMENT LTD.



Ross Glanville
B.A.Sc., P.Eng., M.B.A., C.G.A.

EXECUTIVE SUMMARY

The Laforma property is a fissure vein type gold prospect, situated on the south flank of Mount Freegold, approximately 40 miles by gravel road from Carmacks, Yukon Territory. The property contains the Laforma gold mine, which last produced for a brief period in 1965-1966. In 1982 and 1983, a renewed exploration and development program was carried out with good drilling results. Near the end of 1987, Tally Ho commenced a major underground program with the driving of a 5th level adit. By the middle of 1988, Tally Ho encountered severe financial problems and stopped all exploration and development. At that time, approximately 2,500 feet of 9' x 10' drift had been completed, with only about 300 feet to go to reach the ore zone.

Doron Explorations Inc. has recently agreed to discharge all the liens and liabilities of Tally Ho (about \$1.4 million), and to pay a 0.5% net smelter return royalty to Tally Ho, in return for 100% of Tally Ho's interest in the Laforma property. Tally Ho had the option to acquire 92% of the Laforma property, with Equity Silver having the other 8%. Doron has agreed to pay Equity Silver \$200,000.00 for its 8% interest. As a result, Doron Explorations has the right to earn 100% of the Laforma property subject to a 3% net smelter return royalty (0.5% to Tally Ho and 2.5% to Discovery West).

The Laforma mine comprises four levels of underground workings driven on the G-3 vein structure, with a fifth level only 300 feet from the ore zone. The main vein in the zone has been traced along strike for almost 1,500 feet and down dip for almost 1,000 feet. It is dislocated approximately 1,400 feet to the northwest by the Pal Fault, and this offset, based on limited diamond drilling, represents an excellent target for additional ore reserves.

Upon suspension of operations in 1966, Discovery Mines calculated a remaining ore reserve above the 4th level of 68,500 tons grading 0.44 ounces of gold per ton. Following the 1982 and 1983 drill programs, additional drilled reserves below the 4th level were calculated to be 125,000 tons grading 0.35 ounces of gold per ton. Based on the above, the proven and probable reserves are almost 200,000 tons grading

0.38 ounces of gold per ton. Because of the strength and consistent grade of the G-3 vein system as tested to date, it is likely that development and drill testing down dip and to the north could increase the reserves by a factor of two to five times.

Utilizing mineable reserves of 575,000 tons grading 0.35 ounces of gold per ton and a gold price of \$400.00 U.S. (and other calculations, estimates and assumptions as set out in the section entitled "Valuation Details"), the after tax net present value of the Laforma mine is approximately \$4.5 million. However, because approximately two thirds of the reserves are inferred, and only one third is proven or probable, we have discounted the value by one third to a level of \$3.0 million. Because of the risks inherent in exploration and mining, as well as the uncertainty of external factors, such as the future gold price, I believe that a reasonable range of value is between \$2.0 and \$4.0 million.

As a result of the substantial present value, and the significant potential of the Laforma mine, we have recommended a major exploration program costing over two million dollars for the next year. This program will include extending the 5th level 1,000 feet, cross cutting 500 feet, raising 500 feet, 10,000 feet of underground diamond drilling, 5,000 feet of surface drilling, and bulk sampling. The results of such a program should enable the preparation of a feasibility study.

INTRODUCTION AND TERMS OF REFERENCE

Glanville Management Ltd. was commissioned by Mr. Ted Yardley and Mr. James Hirst, President and Secretary, respectively, of Doron Explorations Inc., to prepare a fair market valuation of the Company's Laforma mine, located approximately 40 miles west of Carmacks, Yukon Territory. In addition, the author of this report was requested to recommend an appropriate program of exploration and development.

To accomplish this assignment, I reviewed a variety of reports and documents as outlined below, and had discussions with professional engineers and geologists who are familiar with the property.

1. Evaluation Report on the Laforma Gold Mine, Carmacks, Yukon, for Tally Ho Exploration Co. Ltd., by J.E. Wallis, P.Eng., June 2, 1987.
2. Summary of Operations at the Laforma Mine, Carmacks, Yukon, January, 1984, by Colin Redden.
3. Report on the Laforma Property, Mount Freegold, Yukon, June 24, 1983, by Robert S. Adamson, P.Eng., Dolmage Campbell and Associates Ltd.
4. Summary of Operations at the Laforma Mine, Carmacks, Yukon, by P. Folk, P.Eng., 1982.
5. A Report on the 1975 Diamond Drilling Program at the Laforma Property, Mount Freegold, Yukon, December 19, 1975, by T. Antoniuk, P.Eng.
6. Investigations of a Gold Ore from the Laforma Property of Ormsby Mines Limited, Carmacks, Yukon, June 1, 1964 by G.I. Mathieu, Mineral Processing Division, Canada Department of Mines and Technical Surveys, Ottawa.
7. Updated Budget Recommendation, February 12, 1988.

8. Option Agreement between Doron Explorations Inc. and Tally Ho Exploration Company Ltd., dated September 27, 1988.
9. Proposed Agreement between Doron Explorations Ltd. and Equity Silver Mines Ltd.
10. Comments on our visit to the Tally Ho Property, by G.S. Dundas, P.Eng., dated July 1, 1988.
11. A Letter to Mr. Wm. Meyer from R.T. Trenaman, P.Eng., dated July 9, 1981.
12. Evaluation of Ore Reserves, Laforma Mine, Yukon, October 27, 1980 by A.R. Archer, B.A.Sc., P.Eng.
13. Letter from T. Antoniuk, P.Eng., to Mr. J.L. May, commenting on the Evaluation by A.R. Archer.
14. Report on Feasibility of Production from Laforma, Discovery Mines Limited, December 22, 1964 by A.B. Beavan, Consulting Geologist.
15. Ore Reserve Summary, March, 1966, by A.A. Sanche, B.Sc., Geologist.
16. A variety of maps, sections and miscellaneous letters and reports.

Some of the maps and other data that appear in this valuation were reproduced from one or more of the above reports.

A field examination of the property was not made for a variety of reasons. The property is presently not in operation, and the most pertinent information comes from diamond drilling logs, underground development results and past production data. In addition, the reports in which the data appears have been prepared by professional engineers or geologists who have examined the property. Furthermore, this report is not a technical report, but a valuation document.

VALUATION METHODOLOGIES

Appendix II provides an introduction to valuation theory and a description of valuations methods that have been utilized in the past. Following are brief descriptions of the methods that has been applied to determine a value for the Laforma mine.

Discounted Cash Flow Method

If cash flows can be estimated with some degree of certainty, the discounted cash flow method is the preferred one. In this case, I have utilized the discounted cash flow method for the proven and probable reserves.

The discounted cash flow method accounts for all cash inflows (reserves) and outflows (or expenses) such as operating costs, capital costs and income taxes. It also accounts for risk, inflation, and the cost of money (interest). The discounted cash flow method is forward looking (that is, past expenditures are irrelevant) and is general in application.

Adjusted Discounted Cash Flow

For reserves that are inferred, one can use a combination of the discounted cash flow method and a probability application. This probability is based on a judgement of the likelihood of upgrading the inferred (or possible) reserves to the proven or probable (or measured or indicated) categories.

PROPERTY LOCATION/ACCESS TOPOGRAPHY

The Laforma mine is located on the south flank of Mount Freegold, and is accessible by 42 miles of good quality gravel road west of Carmacks, Yukon Territory (see attached maps). The town of Carmacks is about 100 miles north of Whitehorse on the Klondike Highway. Whitehorse is served by daily jet service from both Edmonton, Alberta and Vancouver, B.C.

CLAIM STATUS AND OWNERSHIP

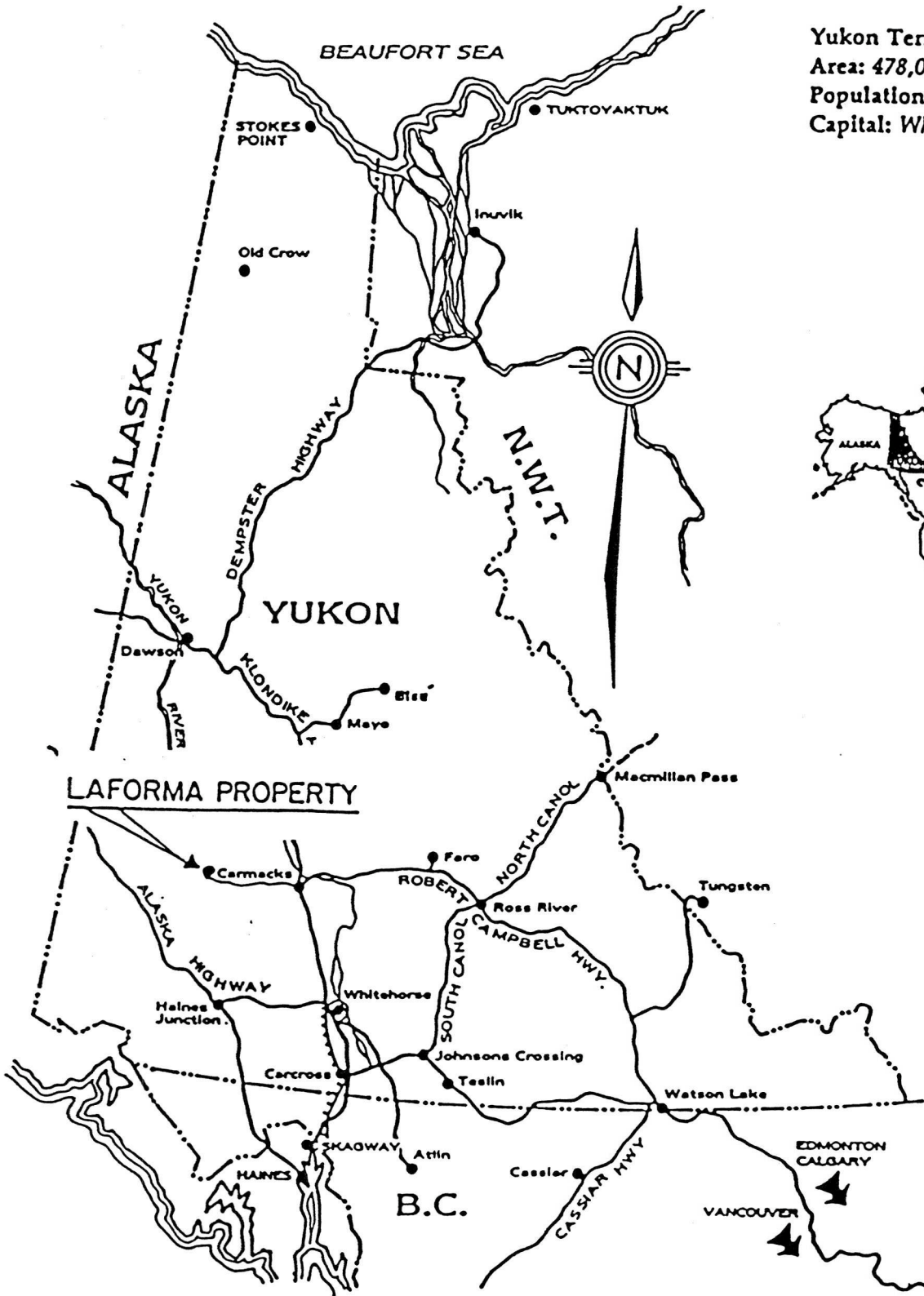
The Laforma Property consists of a group of leased mineral claims as shown on the attached map, and listed in Table 1. The property is immediately to the north of Doron's Caribou property where a drilling program is being carried out at the present time.

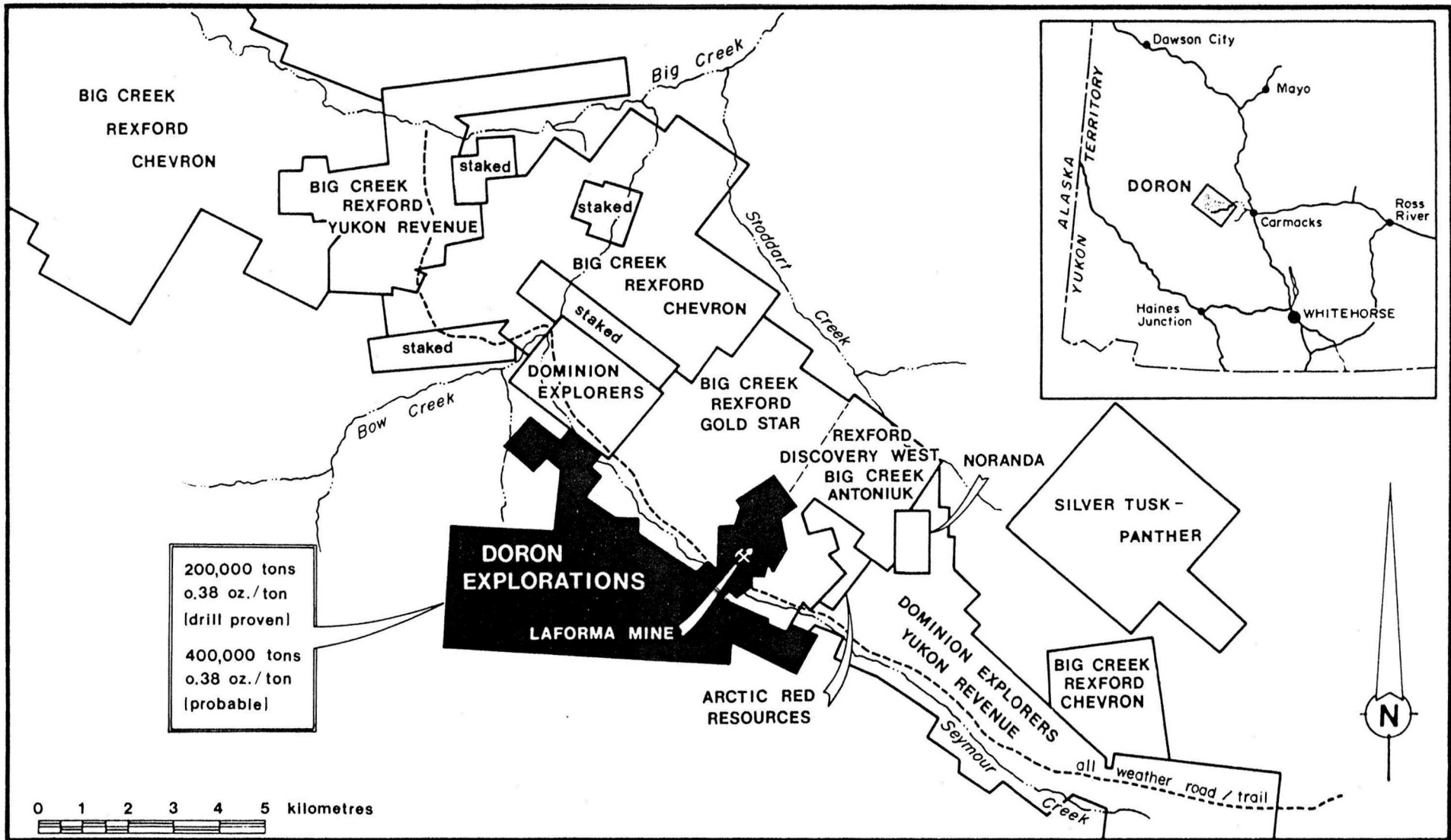
According to a September 17, 1988, agreement between Doron Explorations Inc. (Doron) and Tally Ho Exploration Company Ltd. (Tally Ho), Doron has the option to acquire 100% of Tally Ho's interest (described later in this section) in the Laforma property (Property) in return for:

1. Discharging all the liens and liabilities of Tally Ho with respect to its indebtedness outlined in Schedule "B" attached.
2. Agreeing to Tally Ho retaining a 0.5% Net Smelter Return in the Property. Doron has the right to acquire from Tally Ho the 0.5% Net Smelter Return for \$500,000 for a 36 month period from September 28, 1988.
3. Making a \$75,000.00 non-refundable payment upon signing the agreement (this has been paid), and a further non-refundable payment of \$100,000.00 before October 30, 1988. Such sums are to be used by Tally Ho as deposits to affect proper settlement agreements over the sums referred to in Schedule "B".

Tally Ho's interest is presently 92%, with Equity Silver Mines owning the remaining 8%. However, Doron expects to conclude a deal with Equity whereby Doron

Yukon Territory
 Area: 478,034 sq. km.
 Population: 25,000
 Capital: Whitehorse

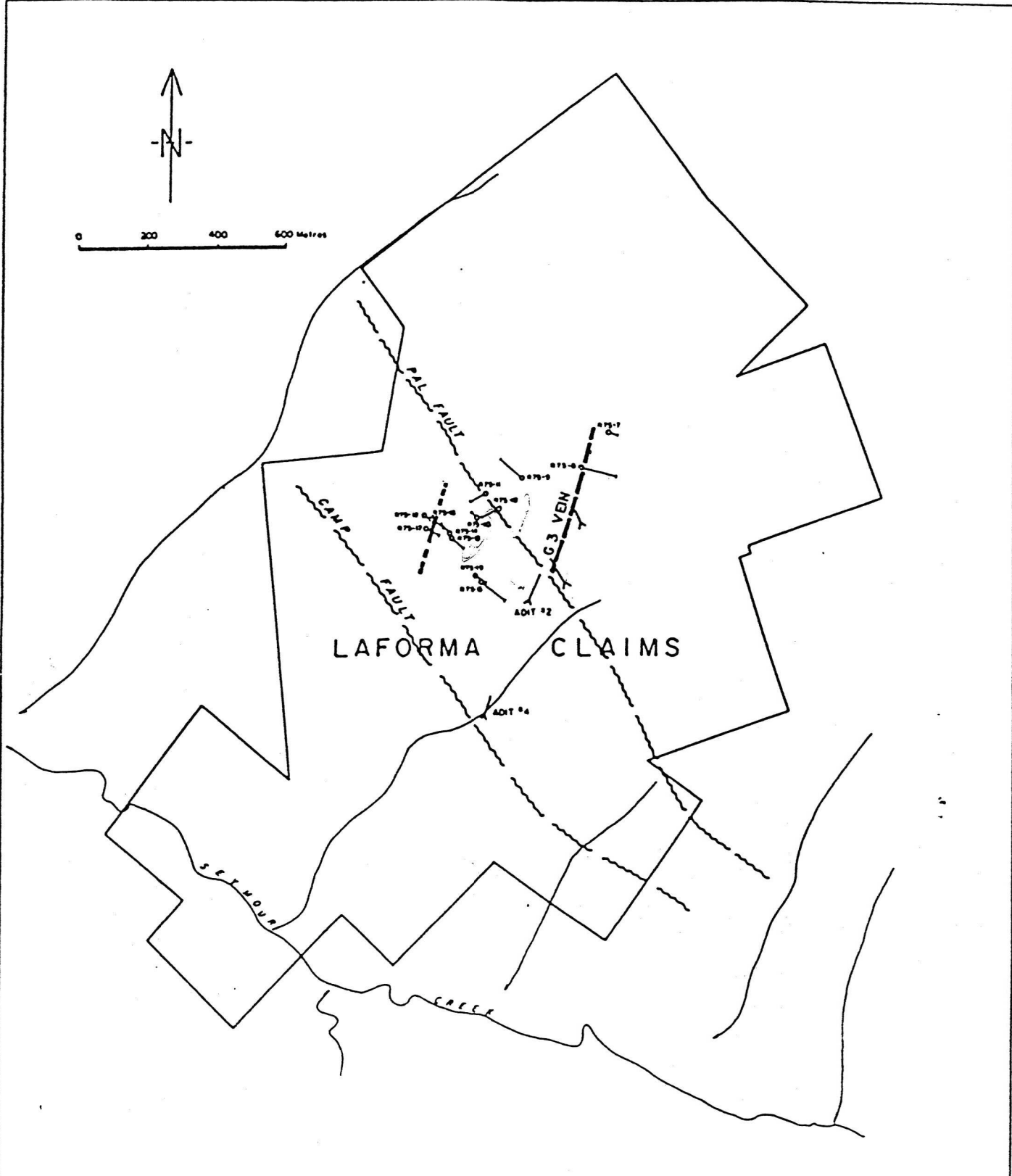




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VSE Symbol
DNE



LAFORMA CLAIMS



R. S. Adamson

DOLWAGE CAMPBELL & ASSOCIATES LTD CONSULTANTS VANCOUVER, CANADA	
HEATTA RESOURCES LTD VANCOUVER, B.C.	
LAFORMA MINE	
SURFACE PLAN	
MT. FREEGOLD, YUKON	
SCALE: AS SHOWN	JUNE 1983 pg 2

TABLE NUMBER 1

<u>Mining Lease</u>	<u>Claim Name</u>	<u>Grant No.</u>
791	Kim Fraction	73762
792	Liz Fraction	73763
793	Loon Fraction	73764
794	Yukonia No. 1	55645
795	Yukonia No. 2	55649
796	Yukonia No. 3	55651
797	Yukonia No. 4	55661
798	Yukonia No. 5	55680
799	Yukonia No. 6	55721
800	Key Fraction	4231
801	Pal	4222
802	Mona	55619
803	Neil	55662
804	Baker	55613
805	Connie	55627
806	Bill Fraction	55669
807	Jim	55628
808	Goose	39175
809	Mill No. 1	55989
810	Mill No. 2	55990
811	Mill No. 3	55995

Boundaries of the LaForma claim group are shown on Figure 2 - Surface Plan, Laforma Gold Mine.

will pay Equity \$200,000 in return for its 8% interest. There is an overriding 2½% Net Smelter Return payable to Discovery West Corp. (from whom Tally Ho optioned the property). This royalty, at the election of Doron, can be purchased from Discovery for \$2.5 million. There are advance royalties, recoverable from production, payable as follows:

January 1, 1990	\$ 25,000.00
January 1, 1991	\$ 25,000.00
January 1, 1992	\$ 25,000.00
January 1, 1993	\$ 50,000.00
January 1, 1994	\$ 50,000.00
January 1, 1995	\$100,000.00

A minimum royalty of \$25,000 per year is to be paid once production commences.

HISTORY AND PAST PRODUCTION

The Mount Freegold gold district was identified in 1930 when P.F. Guder discovered gold-bearing magnetite in skarn deposits on the northwest slope of the mountain. A staking rush was precipitated in 1931 when several gold-bearing quartz veins were discovered in the area.

During the period 1934 to 1940, a series of operators initiated active exploration and development which culminated in small scale production at a rate of 10 tons per day from the Laforma Mine beginning in 1939. Work ceased in 1940 after 1,418 tons had been mined and milled. Adits had been driven on the Alpha vein and on three levels on the G-3 vein.

The Laforma Mine property, after its purchase by Ormsby Mines Ltd. in 1960, was brought into production in mid-1965 by Discovery Mines Ltd. as operator. Drifting of the G-3 vein on three levels, minor raising and some underground drilling were done prior to reaching a production decision. A 100 ton per day capacity mill was

constructed and production commenced prematurely in order to take advantage of an enhanced gold price under the Emergency Gold Mining Assistance Act prior to its termination in June, 1965. Rising labour costs in the Yukon, poor mill recovery attributed to the absence of a cyanide circuit in the mill, and lower than anticipated ore grade mineralization caused by excessive dilution, all apparently contributed to a decision to shut down the operation in February, 1966. Total production was approximately 10,000 tons, with the stope ore grading 0.44 ounces of gold per ton.

In 1974 a Rayrock Mines-Ashland Oil joint venture optioned the Laforma Mine property and carried out an extensive soil geochemical survey over the area. Several gold-silver-arsenic soil anomalies were identified, and in 1975 were drilled. The venture dropped its option in 1976.

In 1979 Esperanza Explorations staked the Gnat group of claims adjoining the Laforma mine property. In May, 1980, Esperanza entered into an agreement for the optioning of two blocks of leased claims from Discovery Mines Ltd. that formerly comprised the Laforma property. The company also entered into an agreement for the optioning of claims held by Mr. P.F. Guder. The four claim blocks were subsequently vended to Arctic Red Resources Corp.

Arctic Red Resources carried out surface exploration work in 1980 and 1981, and unsuccessfully attempted to rehabilitate the 4th level of the Laforma Mine. In 1982, the company, assisted by Teck Explorations, was successful in its effort to drive through the Pal Fault zone. Access to a previously driven cross cut allowed Teck Exploration to drill eleven exploratory holes (3,105 feet) beneath the 4th level of the mine. Seven of the eleven holes returned either high grade or significant gold values across mineable widths.

During 1983, Teck Exploration Limited, on behalf of Arctic Red Resources and Ark La Tex Petroleum drove approximately 600 feet of drift in the footwall of the structure parallel to the 4th level adit and established three diamond drill cross cuts. Fifteen BQ sized diamond drill holes were drilled from these cross cuts to test the down dip extension of the north zone below the 4th level. A total of 4,109 feet of drilling was completed with hole depths ranging from 129 to 414 feet. Ground

conditions at some vein intersections made core recovery very difficult; in some holes poor recirculation prohibited sludge sampling. Six of the holes returned high grade assays over mineable widths.

In late 1987 Tally Ho commenced a major program, which was to consist of driving a 5th level from a site near the elevation of Seymour Creek in the footwall of the G-3 vein structure, cross cutting to the vein and sampling short stubs driven on the vein. Total estimated costs of this program, plus underground drilling, were approximately two million dollars.

An updated budget, prepared in February, 1988, estimated total costs of over three million. By the middle of 1988, Tally Ho encountered severe financial problems and stopped all exploration and development. At that time, approximately 2,500 feet of 9' x 10' drift had been completed.

GEOLOGY AND MINERALIZATION

The area is underlain by Precambrian Yukon Group metamorphic rocks which have been intruded by Upper Mesozoic granitic bodies and by a later complex assemblage of Tertiary age dykes and small stocks. Gold vein and porphyry type mineralization are related to the Tertiary intrusive events. At the Laforma Mine, the G-3 vein strikes N 25 E, dips 75 degrees westerly, has been traced for 1,500 feet and has a true thickness generally less than 5 feet. At its southern end, the vein is offset by the Pal Fault, a major, weakly mineralized structure with an apparent right-lateral displacement of 1,400 feet.

A Jurassic hornblende granodiorite, intruded by Tertiary andesite and rhyolite quartz porphyry dykes, is the host for the G-3 vein system. West of the vein, in the hanging wall, the granodiorite is brecciated with abundant, random chloritic shears and fractures and zones of intense cataclasis. The breccia and cataclastic rock are rehealed by later intrusive activity and subjected to pervasive propylitic alteration and very intrusive activity and subjected to pervasive propylitic alteration and very weak silicification. The footwall granodiorite is coarser grained, has larger quartz

phenocrysts and lacks the brecciated character and chlorite content of the hanging wall rocks.

Between the two types of granodiorite a strong fault structure has acted as a zone of weakness for the intrusion of a rhyolite dyke and subsequent quartz, pyrite and native gold mineralization. The fault structure usually parallels the rhyolite dyke, and is comprised of up to 10 feet of clay gouge and crushed rock fragments and a variable thickness of highly brecciated granodiorite. Broken, grey quartz, up to 5 feet thick, containing pyrite and finely disseminated native gold occurs within the fault zone. Post-mineralization movement along the fault zone is indicated by a sticky, black, pyritic clay gouge, carrying gold values, located on the hanging wall of the quartz vein.

A second vein occurs from 5 feet to 20 feet into the footwall from the main vein, particularly on the South Zone. This vein, which carries visible gold, is associated with a lesser amount of fault gouge. It is absent in some holes and was not tested in others because of drilling problems. According to old mine plans and diamond drilling, the footwall vein does not occur in the North Zone.

In addition to quartz, pyrite and native gold, trace amounts of chalcopyrite, molybdenite, arsenopyrite and tetrahedrite were noted in drill core. Magnetite, sometimes altered to hematite, commonly occurs disseminated in the hanging wall, a brecciated granodiorite. Small amounts of secondary black amphibole and traces of tourmaline were noted in and near the rhyolite dyke. Chlorite, epidote, carbonate and pervasive clay alteration of feldspars are common in the country rock. A greenish, (possibly clay-sericite) alteration of some feldspars is ubiquitous in the footwall granodiorite.

PROVEN AND PROBABLE RESERVES

Upon suspension of operations in 1966, Discovery Mines calculated a remaining ore reserve above the 4th level in the following categories:

Proven Ore	51,231 tons @ 0.36 ounces per ton
Probable Ore	<u>17,515</u> tons @ 0.67 ounces per ton
Total Reserves	<u>68,546</u> tons @ 0.44 ounces per ton

This tonnage averages the 5.5 feet width that was realized in stoping to March, 1966.

Following the 1983 drill program, Arctic Red Resources Corp. calculated drilled reserves below the 4th level to be 125,000 tons grading 0.35 ounces of gold per ton.

Based on the above, the proven and probable reserves are almost 200,000 tons, grading 0.38 ounces of gold per ton. However, I believe these reserves are a conservative estimate. Because of the strength and consistent grade of the G-3 vein system as tested to date, it is likely that further development and drill testing down dip and to the north could increase the reserves by a factor of two to five times.

INFERRED RESERVES AND EXPLORATION TARGETS

G-3 Zone

Assay results in the G-3 Zone from diamond drilling in 1982 and 1983 (holes TU1 to TU26) were very encouraging, although somewhat erratic as can be expected in free gold-quartz vein mineralization. These assay results, as well as those from previous drilling, are shown on the attached longitudinal section.

Hole TU-11, the deepest hole on the south zone, intersected the vein some 380 feet below the No. 4 level and encountered 0.33 ounces of gold per ton over 4 feet of poorly recovered core. A 5 foot sludge sample from this intersection assayed 2.93 ounces of gold per ton. The deepest hole in the north zone (U-24) is located approximately 600 feet north of hole TU-11, and cut the vein at about the same elevation below the 4th level. This vein intersection assayed 0.42 ounces of gold per ton across 6.6 feet. This indicates that the structure carries gold values to at least

400 feet below the 4th level, and that the structure is extremely strong. Chances of increasing reserves below this depth are excellent. The extension of the drift on the 5th level (about 500 feet below the 4th level), combined with underground drilling, should enable substantial additional reserves to be placed in the categories of proven or probable ore. In addition, substantial increases in inferred reserves are likely. These increases can occur at depth and to the north, indicating the potential for up to three quarters of a million tons in a zone totalling 5' x 1,400' x 3,000', if approximately 40% of the zone makes ore.

Extension of the G-3 Zone South of the Paul Fault

The G-3, south of the Pal Fault, has been offset 1,400 feet to the west. Between the Pal Fault and the Camp Fault the structure has a potential strike length of 1,500 feet. Four diamond drill holes (R75-14, R75-15, R75-16, R75-18) were drilled to test this structure in 1974. Core recovery from these holes was extremely poor, but considerable visible gold was noted in the quartz pebbles recovered.

A narrow quartz vein with visible gold was cut in drill holes R75-16 and R75-18. Hole R75-16 returned 8.13 ounces of gold per ton across 1.3 feet. Hole R75-14 cut a wide shear containing considerable blue-grey quartz with visible gold. Assay intersections were 0.37 ounces gold per ton across 5.2 feet and 0.38 ounces gold per ton across 4.0 feet. Although core recoveries were poor, the intersections did confirm that the structure is strong and that it is similar to the south zone of the G-3 vein.

VALUATION DETAILS

In order to prepare a base-case discounted cash flow analysis, I calculated or estimated a number of input parameters as outlined in this section. However the inputs are "best estimates" at this stage since a feasibility study has not been completed. I also determined the impact of changes to some of the parameters, as outlined in the section entitled "Sensitivity Analysis".

RESERVES

For purposes of the base-case cash flow analysis, I assumed that mineable reserves would total 525,000 tons grading 0.35 ounces per ton. This is based on the past mining experience, which resulted in the in-place reserve grades being reduced substantially due to dilution.

Of the total assumed reserves, approximately 40% can be classed as proven or probable, with the balance being inferred. In addition to the proven, probable and inferred ore, there appears to be substantial potential to discover additional reserves, which could bring the total up to one million tons.

METALLURGICAL RECOVERY

Based on previous metallurgical test work, recoveries, utilizing cyanide, should be in the order of 95%.

PRODUCTION RATE

Based on the proven, probable and inferred reserves, it would be desirable to mine at a rate of about 300 tons per day or 105,000 tons per year. At that rate, there would be about two years of proven reserves and three years of inferred reserves.

Production is projected to commence in year four after two years of exploration and development and a year of construction.

MINING METHOD

Based on the mining completed by Discovery in 1966, a mining width of 5½ feet would be maintained with cut and fill methods. Although the ground is blocky, there should be no serious problems with mining, other than proper ground control, keeping the area secure close to the face, not blasting if in doubt as to bad ground until secured, shorter rounds if necessary, and smaller size heading.

OPERATING COSTS

Based on operating costs of similar size operations in relatively remote areas, and the fact that the ore is easily accessed by adit, the operating costs at Laforma are estimated to be \$110 per ton. This assumes that diesel power is used to eliminate the high capital cost of bringing in electrical power.

CAPITAL COSTS

Estimated capital costs of \$13.0 million, including exploration, development and working capital are summarized below, in millions of dollars:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Exploration	2.0	1.0	
Construction/Development		2.0	6.0
Working Capital	_____	_____	<u>2.0</u>
Total	<u>\$ 2.0</u>	<u>\$ 3.0</u>	<u>\$ 8.0</u>

These capital costs assume that a completely separate mill would be constructed for the Laforma Mine. However, depending on results from drilling on contiguous and nearby properties, there is the potential for sharing the costs of a mill, thus making the economics more attractive.

ROYALTIES

A 3% total net smelter return royalty is payable, with 2.5% to Discovery and 0.5% to the Tally Ho.

GOLD PRICE/EXCHANGE RATE

The gold price has been assumed to be \$400 U.S., or \$500 Canadian, at an 80 cent exchange rate.

INCOME TAX AND ROYALTIES

A taxpayer engaged in mining in the Yukon must declare, initially, a taxable operating profit, defined as the revenue obtained from the sale of mineral commodities less the direct cash cost of these sales. From this operating profit, the taxpayer may then deduct a series of non-cash allowances in order to determine net income subject to Federal income taxes. These allowances are described below, in the order in which they may be deducted from operating profit, and reflect the changes proposed in the 1987 Tax Reform White Paper.

Capital Cost Allowance

Taxpayers engaged in the production of mineral resources are permitted to write off the cost of depreciable fixed assets through the mechanism of capital cost allowance. The rate of write-off depends on the class of fixed asset. Although there are over 30 classes of fixed assets, the major ones, as described below, are Class 10, Class 12 and Class 28.

Class 10 costs, which may be written off at 25% (30% on assets acquired prior to 1988) of the undepreciated capital cost, are those incurred after the mine comes into "commercial production". These costs include those for mining buildings and machinery, processing assets and community or "social" assets providing services to a mining community.

Class 12 costs which, prior to the 1987 Tax Reform White paper, could be written off at 100%, were those incurred after the mine came into commercial production and included clearing, overburden removal and development of mine shafts and main haulage ways. Subsequent to this legislation, the cost of mine shafts and main haulage ways or similar underground work undertaken after the start-up of production will be treated as Canadian Development Expenses (CDE) eligible for a 30% declining balance rate. Overburden removal costs after the start-up of production will be treated as operating costs and deductible as a current expense.

Class 28 assets are those Class 10 assets acquired prior to commercial production or acquired during a major expansion (greater than 25%) of an existing mine. The capital cost allowance is the greater of:

- a) 25% (30% on assets acquired before 1988) of the undepreciated capital cost, or
- b) the lesser of
 - i) income from a new mine or major expansion or
 - ii) undepreciated cost.

The half-year rule does not apply to Class 28 when written off against income from the mine.

Resource Allowance

The Federal Government permits the taxpayer to deduct a resource allowance to offset any royalties or duties paid to a province or territory. The resource allowance is equal to 25% of the mining income remaining after deduction of the capital cost allowance.

Exploration Expenses

Exploration expenses include expenses incurred to determine the existence, location, extent and quality of mineral resources in Canada. Excluded are on-site exploration expenses. A principal-business corporation, which is a company whose principal business is mining or oil and gas production, must deduct its unclaimed Canadian Exploration expense to the extent of its remaining income (from any source) before deducting its earned depletion allowance. Any balance not currently deductible is carried forward indefinitely for deduction in future years.

Development Expenses

Preproduction development expenses are those expenses incurred in bringing a mineral resource into commercial production. They include clearing, removing overburden and stripping, as well as the cost of acquiring a resource property. If the expense was incurred after November 16, 1978, then the nature of the expenditure must be reviewed in order to determine the applicable rate. The cost of acquiring a resource property is deductible at a 30% declining rate, and all other development expenditures are deductible at a 100% rate under the same rules which apply to exploration expenses.

Investment Tax Credit

The investment tax credit is a percentage of cost of qualifiable property and is applied against Federal Taxes otherwise payable. The investment tax credit is being eliminated as of 1989, by the 1986 Federal Budget, which phases this deduction out at the rates of 70% and 30% of the previous maximums in the years 1987 and 1988, respectively.

As a consequence of the 1987 Tax Reform White Paper, ITC will undergo several changes, although its impending phase-out will not be affected. These changes include: allowing only one-half of tax payable to be offset by ITC (reduced from 100%), carry forward is increased to 10 years from 7 years and refunding of 20% of unclaimed credit in any given year was eliminated at the end of 1987.

Earned Depletion Allowance

Prior to the 1987 Tax Reform White Paper, in recognition of the fact that an orebody is a wasting asset and in order to encourage exploration for new orebodies, a mining enterprise was permitted to make a deduction for depletion. This deduction took the form of an additional write-off of capital expenditures over and above the full recovery already permitted through capital cost allowance.

A taxpayer could establish an earned depletion base equal to one-third of the total capital expenditures incurred in bringing a mining property into production. One-third of capital expenditures qualifying as Class 10 processing machinery and equipment could be incorporated within the available earned depletion base in the year in which each particular expenditure was incurred. Subsequent to the Tax Reform legislation, earned depletion is being eliminated. For the period July 1, 1987, to July 1, 1988, earned depletion will remain unchanged, reducing by one-half for the following 12 months and then being eliminated completely.

In respect of the annual amount deductible, a taxpayer may claim the full earned depletion available provided that it does not exceed 25% of the income that remains after deducting all of the allowances previously described.

Federal Tax Rate

The Federal tax rate applies to the income remaining after all of the above deductions have been made. The rate was lowered in the 1986 Federal Budget and lowered again in the 1987 Tax Reform White Paper, as set out below:

	<u>Rate</u>
July 1, 1987 to July 1, 1988	35.00%
July 1, 1988 and beyond	28.00%

According to the White Paper, the 3% surtax on Federal Income Tax is to be removed upon implementation of sales tax reform. However, this 3% surtax has been left in our calculations, and is therefore assumed to offset any increase in sales tax.

YUKON INCOME TAX

The Yukon income tax rate is 10%, and applies to the same "base" as that of the Federal income tax.

YUKON ROYALTIES

Rates on Yearly Value of Output

3% above \$	10,000	and below	\$ 1,000,000
5% above \$	1,000,000	and below	\$ 5,000,000
6% above \$	5,000,000	and below	\$10,000,000

plus 1% for every additional \$5,000,000 in excess of \$10,000,000.

Computation of Value of Output

Gross revenues minus the following:

- Federal and Yukon income tax
- transportation
- refining and smelting
- operating costs
- exploration and development incurred in that year
- overhead
- 15% per year (to a maximum of 100%) of the cost of depreciable assets used in the production of the output
- 15% per year of preproduction development expense

DISCOUNT RATE

We have determined the discount rate based on a weighted average cost of capital approach and an empirical approach. As a result, we estimate that an 8% real (constant dollar, or no inflation) after tax discount rate is appropriate. Such a rate is comparable to a 13% after tax rate if one were to incorporate a 4½% inflation rate, or approximately a 25% pre-tax rate of return (with an effective tax rate close to 50%).

VALUATION SUMMARY

Based on the estimates and assumptions as set out in the previous sections, we have calculated the after-tax net present value of the Laforma property to be \$4,500,000. The base case computer output is attached in Appendix III, along with the outputs for the Sensitivity Cases as discussed in the next section.

As can be seen from the base case cash flows, the key outputs are as follows:

After-Tax Net Present Value	\$4,500,000
Annual Recovered Gold Production	35,000 ounces
Gross Revenue per year	\$ 17.4 million
Operating Costs per year	\$ 11.6 million
Operating Margin per year	\$ 5.8 million
Capital Payback	2.7 years
Internal Rate of Return (constant dollars)	20 % after tax

Although the calculated net present value is \$4.5 million, we have reduced this level by one third (to \$3.0 million) to reflect the fact that about 60% of the total estimated reserves is classed as inferred and/or potential.

SENSITIVITY ANALYSIS

In order to test the impact of changes in some of the key input parameters, a variety of other cash flow analyses were run, with the results summarized below, in millions of Canadian dollars.

	<u>After Tax Discount Rate</u>		
	<u>6%</u>	<u>8%</u>	<u>10%</u>
Gold Price \$450	\$11.0	\$ 9.2	\$ 7.7
Gold Price \$400 (Base Case)	\$ 5.8	\$ 4.5	\$ 3.5
630,000 tons (six years)	\$ 7.9	\$ 6.3	\$ 5.0

RECOMMENDED EXPLORATION AND DEVELOPMENT PROGRAM

As stated earlier, the main drift has been excavated approximately 2,500 feet from the portal, and is only about 300 feet short of the South Zone of G-3. It is recommended that this drift be extended about 1,000 feet (or further, if results justify it) beyond the Pal Fault in the footwall. Approximately 500 feet of cross cuts and 500 feet of raises should be excavated. In addition, approximately 10,000 feet of underground diamond drilling should be carried out from drill stations.

Approximately 5,000 feet of surface drilling should test the extension of the G-3 Zone south of the Pal Fault.

The costs for the above programs have been estimated below:

Main drift (additional 1,000 feet)	350,000
Cross cuts and raises (500 feet each)	450,000
Underground diamond drilling (10,000 feet)	500,000
Surface diamond drilling (5,000 feet)	250,000
Camp costs/communications/transportation	250,000
Equipment rentals/fuel/road maintenance	150,000
Engineering/geology/surveying/metallurgy	<u>150,000</u>
Sub-total	<u>\$ 2,100,000</u>

APPENDIX I

CERTIFICATE OF QUALIFICATION

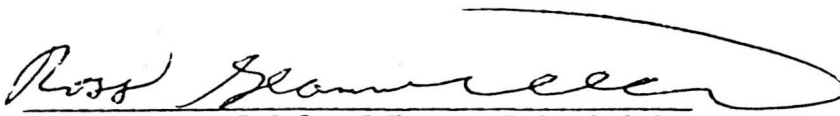
Ross Glanville, B.A.Sc., P.Eng., M.B.A., C.G.A.

CERTIFICATE OF QUALIFICATION

I, Ross O. Glanville, of 7415 Pandora Drive, Burnaby, British Columbia, Canada, hereby certify that:

- (1) I am a B.A.Sc. (Mining Engineering) graduate from the University of British Columbia (1970).
- (2) I hold a Masters Degree in Business Administration (M.B.A.) from the University of British Columbia (1974).
- (3) I am a registered member of the Association of Professional Engineers of British Columbia, and have been since 1972.
- (4) I am a registered member of the Certified General Accountants Association of British Columbia.
- (5) I am President of Glanville Management Ltd., a company specializing in the valuations of exploration properties and mining companies.
- (6) I have been practising my mining engineering profession since 1970 and have valued exploration and mining properties in many parts of Canada and the U.S.A., as well as in other areas of the world.
- (7) I was formerly President of Giant Bay Resources Ltd. and Vice President - Valuations of Wright Engineers Limited, a large international mining, engineering and consulting company. Prior to that I was a mining engineer and transportation manager with Placer Development Ltd., and a mining and project analyst with two major investment holding companies.
- (8) My report is based on a review of information and independent reports provided to me by Doron Explorations Inc., as well as discussions with individuals familiar with the property and general area.
- (9) I have no direct interest, nor do I expect to receive any interest, either directly or indirectly, in Doron Explorations Inc.
- (10) I herewith grant my permission for Doron Explorations Inc. to use this report for whatever purpose they deem necessary.

DATED in Vancouver, British Columbia, on this 15th day of October, 1988.


R.O. Glanville, B.A.Sc., P.Eng., M.B.A., C.G.A.

APPENDIX II

VALUATION METHODOLOGIES

APPENDIX II
VALUATION METHODOLOGIES

This section provides an introduction to valuation theory and a description of valuation methods used in the past.

INTRODUCITON

There are a variety of appropriate methods for valuing mineral properties depending upon the stage, or status, of the property from initial exploration through to production. Some of these stages are outlined below:

- 1) Hypothetical analysis
- 2) Regional program
- 3) Anomalies
- 4) Claims staked (based on anomaly)
- 5) Claims staked (based on "hot" area)
- 6) Additional geological, geochemical or geophysical data
- 7) Development of a model for a target deposit
- 8) One drill hole in a mineralized zone
- 9) Two drill holes in a mineralized zone
- 10) Three drill holes to define a plane of mineralization
- 11) Additional drill holes for establishing inferred reserves
- 12) Preliminary feasibility study
- 13) Enough holes to define proven, probable and possible ore
- 14) Exploratory development
- 15) Feasibility study
- 16) Construction of mine/mill
- 17) Producing mine

Some of the factors that affect the valuation of mining properties, especially at the earlier stages are:

- 1) Local geological controls (faults, contacts, etc.)
- 2) Exploration and/or mining history of the area
- 3) General mining activity in the area
- 4) Comparison to similar geological settings elsewhere in the world
- 5) The "track record" of the exploration geologists
- 6) Presence of valuable minerals or metals (in situ stockpiles, dumps, tailings, etc.)
- 7) Proximity to known reserves
- 8) Staked, leased, or freehold claims
- 9) Infrastructure in place
- 10) Remoteness
- 11) Environmental sensitivities
- 12) Projected metal prices
- 13) General economic and political climate
- 14) Specific interests of a party bidding for the property

VALUATION METHODS USED IN THE PAST

A listing of the valuation methods, followed by brief descriptions of the methods that have been used in the past, is provided below:

- 1) Net present value (NPV) or discounted cash flow (DCF) method
- 2) The DCF method applied to a target or model deposit with the resulting value reduced by a factor to reflect the probability of achieving the target
- 3) Committed future expenditures by optionor plus the additional expenditures required to earn an interest times a probability of making the non-committed expenditure
- 4) Premium or discount on historical costs
- 5) Historical costs plus prudent expenditures for the next phase of work
- 6) Prices paid for comparable properties
- 7) Share price history
- 8) Market premium to, or discount from, share price
- 9) Book value per financial statements

- 10) Price/earnings ratio
- 11) Price/cash flow ratio
- 12) Statistical or probabilistic method
- 13) Replacement value of mine/mill complex
- 14) Value per ton of ore in the ground
- 15) Payback period

1) **Net Present Value (NPV) or Discounted Cash Flow (DCF)**

If cash flows can be estimated or projected with some degree of certainty, the DCF method is the preferred one. Such cash flows are then discounted at an appropriate rate (considering the risk factors) to obtain a net present value.

Some of the requirements, or inputs, for the valuation of a mining property via the DCF approach are: Geology and Mineral Inventory; Mineable Ore Reserves (mining dilution); Mining Method; Metallurgy-Research; Metallurgy-Design (metallurgical recovery); Ancillary Services; Capital Costs; Operating Costs; Marketing; Rights, Ownership; Environmental Impact; Socio-Economic Impact; and Financial Analysis.

The DCF Method accounts for all cash inflows (or revenue) and outflows (or expenses) such as capital costs, operating costs and income taxes. It also accounts for risk, inflation and the cost of money (interest). The DCF method is forward looking (that is, past expenditures are irrelevant) and is general in application.

2) **DCF Adjusted to Reflect the Probability of Success**

For properties at a sufficiently advanced stage such that grade and tonnage can be estimated or projected, one can use a combination of the discounted cash flow method and a probability application. This probability is based on a judgement of the likelihood of achieving a certain grade and tonnage, and, in addition, the chance and timing of proceeding to development.

3) Committed Future Expenditures by Optionor

One can determine the committed future expenditures by an optionor plus the additional expenditures required to earn an interest in the property times a probability of the non-committed expenditures being made. These expenditures should be further reduced by a discount rate to reflect the timing of the expenditures. One can then calculate the value ascribed to the optionee's remaining interest in the property.

4) Premium or Discount on Historical Costs

This method implies a property is worth what has been spent on it (sometimes adjusted to present day dollars by an inflation index), plus a premium if the results are good, or a discount if the results are poor. However, expenditures on a property are not necessarily indicative of value and a premium or discount is a subjective factor. Nevertheless, there is some correlation between costs and results.

5) Historical Costs plus Prudent Budgetted Expenditures

This method simply utilizes past costs and adds the budgetted costs of the next phase of the work. As stated in "4" above, costs are not necessarily a good indicator of value. In addition, adding the costs of the next phase of work ignores the fact that expenditures have to be made (that is, an outlay of cash, which is a negative factor) in order to generate the value. Presumably, though, one budgets future expenditures on the expectation that the expended dollars will add at least that much in value. However, in order for this method to work, the added value has to be twice the budgetted expenditures for the next phase of the work. Although this is possible, the added value could just as easily be less than the expenditures or many times the expenditures.

6) Comparable Properties

This method has been used to establish a value based on a known transaction price of a comparable orebody. In mining, unlike oil and gas, there are no true comparables. Each property is unique with regard to geology, costs, infrastructure and some of the other factors mentioned earlier.

7) Share Price History

This method can give an indication of value, but is only applicable if the shares are listed on a public exchange, and if the company's only major asset is the property to be valued. In addition, the price of a few shares sold is not necessarily reflective of what you could sell all the shares for.

8) Market Premium or Discount on Share Price

This method applies a premium or discount to a market price of a share. The method is subjective, but historical premiums and discounts (based on acquisitions) can be used as a guide to value.

9) Book Value

For exploration companies that capitalize exploration costs until a production or abandonment decision, this method is of little value. You may have unwisely spent exploration dollars, yet they appear on your books as assets. Conversely you may have spent very few dollars, but have a very valuable orebody.

10) Price/Earnings Multiple

This method estimates earnings, which are multiplied by a price/earnings (P/E) multiple. The method is useful for a producing mine or company but is not as good as the discounted cash flow approach. Book items such as amortization and depreciation, which do not affect cash flow, can produce unrealistic values.

11) Price/Cash Flow Ratio

This method estimates cash flows which are then multiplied by a price/cash flow multiple typical of the mining industry. Although this method is acceptable for operating mines, it is not of much value for developing mines where the construction capital has not yet been spent.

12) Statistical or Probabilistic Method

This method is based on a statistical analysis of the average value of an economic deposit (mine), the chance of discoveries becoming economic and of anomalies (drill targets) becoming discoveries. This method is somewhat subjective.

13) Replacement Value

What it costs to build a new mine/mill complex is not relevant to the value of a particular deposit. The mine/mill complex only has a value insofar as it enables one to generate cash flow. Only the salvage or disposal value is relevant if you cannot generate cash flow.

14) Value per ton of Ore in the Ground

This method is extremely arbitrary since the material in the ground has no value until you establish the relationship between grades, recovery, metal prices, costs and so on.

15) Payback Period

This determines when all your investment is repaid and ignores the impact of cash flow in later years. For example, you could invest \$100 million and demand a four year payback. However, your returns could be \$20 million a year for four years (which doesn't payback in four years) and then be \$200 million in year 5. The arbitrary application of the payback method would eliminate this good investment. In addition, the payback method ignores the time value of money (interest). The payback method is useful, though, when investing in politically unstable areas.

APPENDIX III

COMPUTER CASH FLOW OUTPUTS

FEDERAL INCOME TAX - PAGE 2

	1	2	3	4	5	6	7	8	9	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	5.298	5.298	5.298	5.298	5.298	0.000	26.434
-CLASS X CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Y CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 10 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 2 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 28 CCA	0.000	0.000	0.000	0.000	2.331	2.469	0.000	0.000	0.000	4.800
-RESOURCE ALLOWANCE	0.000	0.000	0.000	1.324	0.743	0.706	1.324	1.324	0.000	5.422
-INTEREST EXPENSE LOAN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-INTEREST EXPENSE LOAN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CANADIAN DEVELOPMENT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-FOREIGN EXPLORATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CANADIAN EXPLORATION	0.000	0.000	0.000	3.473	2.227	0.000	0.000	0.000	0.000	5.200
-EARNED DEPLETION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FEDERAL TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	0.000	10.067
+LOSS CARRY FORWARD CREATED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-LOSS CARRY FORWARD CLAIMED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET FEDERAL TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	0.000	10.067
X TAX RATE (%)	28.2	28.2	28.2	28.2	28.2	28.3	28.2	28.2	28.2	28.2
FEDERAL TAX CALCULATED	0.000	0.000	0.000	0.000	0.000	0.611	1.146	1.146	0.000	2.903
+TAX LOSS CARRY BACK	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FEDERAL TAX	0.000	0.000	0.000	0.000	0.000	0.611	1.146	1.146	0.000	2.903

PROVINCIAL INCOME TAX

	1	2	3	4	5	6	7	8	9	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	5.298	5.298	5.298	5.298	5.298	0.000	25.444
-CLASS X CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Y CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 10 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 2 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 28 CCA	0.000	0.000	0.000	0.000	2.331	2.464	0.000	0.000	0.000	4.800
-RESOURCE ALLOWANCE	0.000	0.000	0.000	1.324	0.743	0.706	1.324	1.324	0.000	5.422
-INTEREST EXPENSE LOAN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-INTEREST EXPENSE LOAN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-DEVELOPMENT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-FOREIGN EXPLORATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-EXPLORATION	0.000	0.000	0.000	3.973	2.227	0.000	0.000	0.000	0.000	6.200
-EARNED DEPLETION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PROVINCIAL TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	0.000	10.067
+LOSS CARRY FORWARD CREATED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-LOSS CARRY FORWARD CLAIMED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	0.000	10.067
X TAX RATE (%)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.0	10.0
PROVINCIAL TAX CALCULATED	0.000	0.000	0.000	0.000	0.000	0.212	0.397	0.397	0.000	1.007
+TAX LOSS CARRY BACK	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PROVINCIAL INCOME TAX	0.000	0.000	0.000	0.000	0.000	0.212	0.397	0.397	0.000	1.007

YUKON MINING TAX

	1	2	3	4	5	6	7	8	9	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	5.293	5.293	5.293	5.293	5.293	0.000	26.434
+ROYALTIES PAID	0.000	0.000	0.000	0.521	0.521	0.521	0.521	0.521	0.000	2.605
-FEDERAL INCOME TAX	0.000	0.000	0.000	0.000	0.000	0.611	1.146	1.146	0.000	2.403
-YUKON INCOME TAX	0.000	0.000	0.000	0.000	0.000	0.212	0.347	0.347	0.000	1.007
-DEPRECIATION ALLOWANCE	0.000	0.000	0.000	0.720	0.720	0.720	0.720	0.720	0.000	3.600
-EXPLORE/DEVELOP ALLOWANCE	0.000	0.000	0.000	0.930	0.930	0.930	0.930	0.930	0.000	4.650
TAXABLE INCOME	0.000	0.000	0.000	4.169	4.169	3.345	2.625	2.625	0.000	16.435
AVERAGE MINING RATE (%)	0.0	0.0	0.0	4.5	4.5	4.4	4.2	4.2	0.0	0.0
ROYALTY PAYABLE	0.000	0.000	0.000	0.188	0.188	0.147	0.111	0.111	0.000	0.747

FEDERAL INCOME TAX - PAGE 2

	1	2	3	4	5	6	7	8	9	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	7.404	7.404	7.404	7.404	7.404	0.000	37.014
-CLASS X CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Y CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 10 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Z CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 28 CCA	0.000	0.000	0.000	0.000	4.900	0.000	0.000	0.000	0.000	4.900
-RESOURCE ALLOWANCE	0.000	0.000	0.000	1.251	0.651	1.351	1.451	1.451	0.000	8.055
-INTEREST EXPENSE LOAN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-INTEREST EXPENSE LOAN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CANADIAN DEVELOPMENT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-FOREIGN EXPLORATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CANADIAN EXPLORATION	0.000	0.000	0.000	5.553	0.647	0.000	0.000	0.000	0.000	6.200
-EARNED DEPLETION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FEDERAL TAXABLE INCOME	0.000	0.000	0.000	0.000	1.306	5.553	5.553	5.553	0.000	17.464
+LOSS CARRY FORWARD CREATED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-LOSS CARRY FORWARD CLAIMED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET FEDERAL TAXABLE INCOME	0.000	0.000	0.000	0.000	1.306	5.553	5.553	5.553	0.000	17.464
X TAX RATE (%)	28.9	28.9	29.3	28.5	23.9	28.9	29.3	29.9	29.8	29.9
FEDERAL TAX CALCULATED	0.000	0.000	0.000	0.000	0.377	1.601	1.601	1.601	0.000	5.181
+TAX LOSS CARRY BACK	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FEDERAL TAX	0.000	0.000	0.000	0.000	0.377	1.601	1.601	1.601	0.000	5.181

PROVINCIAL INCOME TAX

	1	2	3	4	5	6	7	8	9	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	7.404	7.404	7.404	7.404	7.404	0.000	37.019
-CLASS X CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Y CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 10 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 2 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 28 CCA	0.000	0.000	0.000	0.000	4.300	0.000	0.000	0.000	0.000	4.300
-RESOURCE ALLOWANCE	0.000	0.000	0.000	1.951	0.651	1.851	1.851	1.851	0.000	8.055
-INTEREST EXPENSE LOAN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-INTEREST EXPENSE LOAN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-DEVELOPMENT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-FOREIGN EXPLOATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-EXPLORATION	0.000	0.000	0.000	5.553	0.647	0.000	0.000	0.000	0.000	6.200
-EARNED DEPLETION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PROVINCIAL TAXABLE INCOME	0.000	0.000	0.000	0.000	1.306	5.553	5.553	5.553	0.000	17.464
+LOSS CARRY FORWARD CREATED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-LOSS CARRY FORWARD CLAIMED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET TAXABLE INCOME	0.000	0.000	0.000	0.000	1.306	5.553	5.553	5.553	0.000	17.464
X TAX RATE (%)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.0	10.0
PROVINCIAL TAX CALCULATED	0.000	0.000	0.000	0.000	0.131	0.555	0.555	0.555	0.000	1.798
+TAX LOSS CARRY BACK	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PROVINCIAL INCOME TAX	0.000	0.000	0.000	0.000	0.131	0.555	0.555	0.555	0.000	1.798

YUKON MINING TAX

	1	2	3	4	5	6	7	8	9	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	7.404	7.404	7.404	7.404	7.404	0.000	37.019
+ROYALTIES PAID	0.000	0.000	0.000	0.586	0.586	0.586	0.586	0.586	0.000	2.431
-FEDERAL INCOME TAX	0.000	0.000	0.000	0.000	0.377	1.601	1.601	1.601	0.000	5.151
-YUKON INCOME TAX	0.000	0.000	0.000	0.000	0.131	0.555	0.555	0.555	0.000	1.796
-DEPRECIATION ALLOWANCE	0.000	0.000	0.000	0.720	0.720	0.720	0.720	0.720	0.000	3.600
-EXPLORE/DEVELOP ALLOWANCE	0.000	0.000	0.000	0.930	0.930	0.930	0.930	0.930	0.000	4.650
TAXABLE INCOME	0.000	0.000	0.000	6.340	5.933	4.183	4.183	4.183	0.000	24.723
AVERAGE MINING RATE (%)	0.0	0.0	0.0	4.9	4.8	4.5	4.5	4.5	0.0	0.0
ROYALTY PAYABLE	0.000	0.000	0.000	0.310	0.280	0.189	0.189	0.189	0.000	1.154

FEDERAL INCOME TAX - PAGE 2

	1	2	3	4	5	6	7	8	9	10	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	5.298	5.298	5.298	5.298	5.298	5.298	0.000	31.787
-CLASS X CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Y CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 1U CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Z CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 2B CCA	0.000	0.000	0.000	0.000	2.331	2.469	0.000	0.000	0.000	0.000	4.800
-RESOURCE ALLOWANCE	0.000	0.000	0.000	1.324	0.743	0.706	1.324	1.324	1.324	0.000	6.747
-INTEREST EXPENSE LOAN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-INTEREST EXPENSE LOAN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CANADIAN DEVELOPMENT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-FOREIGN EXPLORATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CANADIAN EXPLORATION	0.000	0.000	0.000	3.973	2.227	0.000	0.000	0.000	0.000	0.000	6.200
-EARNED DEPLETION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FEDERAL TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	3.973	0.000	14.040
+LOSS CARRY FORWARD CREATED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-LOSS CARRY FORWARD CLAIMED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET FEDERAL TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	3.973	0.000	14.040
X TAX RATE (%)	28.8	28.8	28.8	28.8	28.8	23.3	28.4	28.4	28.8	28.8	28.8
FEDERAL TAX CALCULATED	0.000	0.000	0.000	0.000	0.000	0.611	1.146	1.146	1.146	0.000	4.049
+TAX LOSS CARRY BACK	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FEDERAL TAX	0.000	0.000	0.000	0.000	0.000	0.611	1.146	1.146	1.146	0.000	4.049

PROVINCIAL INCOME TAX

	1	2	3	4	5	6	7	8	9	10	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	5.228	5.228	5.228	5.228	5.228	5.228	0.000	31.787
-CLASS X CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Y CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 10 CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS Z CCA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-CLASS 28 CCA	0.000	0.000	0.000	0.000	2.331	2.469	0.000	0.000	0.000	0.000	4.800
-RESOURCE ALLOWANCE	0.000	0.000	0.000	1.324	0.743	0.706	1.324	1.324	1.324	0.000	6.747
-INTEREST EXPENSE LOAN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-INTEREST EXPENSE LOAN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-DEVELOPMENT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-FOREIGN EXPLORATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-EXPLORATION	0.000	0.000	0.000	3.973	2.227	0.000	0.000	0.000	0.000	0.000	6.200
-EARNED DEPLETION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PROVINCIAL TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	3.973	0.000	14.040
+LOSS CARRY FORWARD CREATED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-LOSS CARRY FORWARD CLAIMED	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET TAXABLE INCOME	0.000	0.000	0.000	0.000	0.000	2.120	3.973	3.973	3.973	0.000	14.040
X TAX RATE (%)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.0	10.0
PROVINCIAL TAX CALCULATED	0.000	0.000	0.000	0.000	0.000	0.212	0.397	0.397	0.397	0.000	1.404
+TAX LOSS CARRY BACK	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PROVINCIAL INCOME TAX	0.000	0.000	0.000	0.000	0.000	0.212	0.397	0.397	0.397	0.000	1.404

YUKON MINING TAX

	1	2	3	4	5	6	7	8	9	10	ACCUM
OPERATING PROFIT	0.000	0.000	0.000	5.295	5.298	5.294	5.298	5.298	5.298	0.000	31.787
+ROYALTIES PAID	0.000	0.000	0.000	0.521	0.521	0.521	0.521	0.521	0.521	0.000	5.126
-FEDERAL INCOME TAX	0.000	0.000	0.000	0.000	0.000	0.611	1.146	1.146	1.146	0.000	4.044
-YUKON INCOME TAX	0.000	0.000	0.000	0.000	0.000	0.212	0.397	0.397	0.397	0.000	1.404
-DEPRECIATION ALLOWANCE	0.000	0.000	0.000	0.720	0.720	0.720	0.720	0.720	0.720	0.000	4.320
-EXPLORE/DEVELOP ALLOWANCE	0.000	0.000	0.000	0.930	0.930	0.930	0.930	0.930	0.930	0.000	5.580
TAXABLE INCOME	0.000	0.000	0.000	4.169	4.169	3.345	2.626	2.626	2.626	0.000	19.560
AVERAGE MINING RATE (%)	0.0	0.0	0.0	4.5	4.5	4.4	4.2	4.2	4.2	0.0	0.0
ROYALTY PAYABLE	0.000	0.000	0.000	0.188	0.188	0.147	0.111	0.111	0.111	0.000	0.858

ARCTIC RED RESOURCES CORP.

1982

SUMMARY OF OPERATIONS

AT

THE LAFORMA MINE

CARMACKS, YUKON

by P. Folk

P. Eng

200-11

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INTRODUCTION

The Laforma Mine, near Carmacks, Yukon produced gold as recently as 1966 from a near vertical vein system located on the south flank of Mt. Freegold. Four adit levels with several interconnecting raises and stopes have developed the vein system through a vertical extent of about 500 feet and laterally for over 1,500 feet. Mining was halted in 1966 due to a low gold price, poor mill recovery and low mill-head grades resulting from mining dilution. At the time of shut-down, remaining reserves above the #4 level were calculated to be 68,546 ton at 0.44 oz. Au/ton of proven and probable ore. Below the #4 level current work indicates a probable and drill indicated reserve of 18,880 tons of 0.42 oz. Au/ton plus a further 60,000 tons of inferred reserves. The deposit is considered to be open at depth and to the north.

In the period from August 31 to November 22, 1982 a total of 170 feet of track drifting, 3,105 feet of BQ size diamond drilling in 11 underground holes and some retimbering of old workings were completed by Teck Explorations Limited for Arctic Red Resources Corp. Assays up to 0.63 oz. Au/ton over 7.7 feet and 1.26 oz. Au/ton over 2.5 feet (apparent widths) were encountered in the drilling designed to test the downward extension of the G-3 vein below the #4 level.

LOCATION, ACCESS

The Laforma Mine is located on the south flank of Mt. Freegold and is accessible by 42 miles of good quality gravel road west of Carmacks, Yukon Territory. Carmacks is about 100 miles north of Whitehorse on the Klondike Highway.

HISTORY

Lode gold in the district was discovered by P.F. Guder in 1930 on the northwest slope of Mt. Freegold. Subsequent discoveries in 1931 included what is now called the G-3 vein; developed by the Laforma mine. Gold was produced from this vein at a rate of 10 T.P.D. in 1939-40 and 100 T.P.D. in 1965-66 by Discovery Mines Ltd. When the mine closed in 1966, estimated reserves were 68,546 tons at 0.44 oz. Au/ton proven and probable. Historically, the best and most consistent high-grade assays occurred in the North Zone, with more erratic and generally lower grade values occurring in the South Zone, since the North Zone was not accessible. The 1982 program concentrated on the South Zone.

The property has been explored for porphyry-type gold occurrences, gold veins and copper-molybdenum porphyry type mineralization. Placer gold mining and exploration has been carried out on and near the property.

GEOLOGY

The area is underlain by Precambrian Yukon Group metamorphic rocks which have been intruded by Upper Mesozoic granitic bodies and by a later complex assemblage of Tertiary age dykes and small stocks. Gold vein and porphyry type mineralization are related to the Tertiary intrusive events. At the Laforma Mine the G-3 vein strikes N 25 E, dips 75 degrees westerly, has been traced for 1,500 feet and has a true thickness generally less than 5 feet. At its southern end the vein is offset by the Pal Fault, a major, weakly mineralized structure with an apparent right-lateral displacement of 1,500 feet.

A Jurassic hornblende granodiorite, intruded by Tertiary andesite and rhyolite quartz porphyry dykes, is the host for the G-3 vein system. West of the vein, in the hanging wall, the granodiorite is brecciated with abundant, random chloritic shears and fractures and zones of intense cataclasis. The breccia and cataclastic rock are re-healed by later intrusive activity and subjected to pervasive propylitic alteration and very weak silification. The footwall granodiorite is coarser grained, has larger quartz phenocrysts and lacks the brecciated character and chlorite content of the hanging wall rocks.

Between the two styles of granodiorite a strong fault structure has acted as a zone of weakness for the intrusion of a rhyolite dyke and subsequent quartz, pyrite and native gold mineralization. The fault structure usually parallels the rhyolite dyke, and is comprised of up to 10 feet of clay gouge and crushed rock fragments and a variable thickness of highly brecciated granodiorite. Broken, grey quartz up to 5 feet thick containing pyrite and finely disseminated native gold occurs within the fault zone. Post-mineralization movement along the fault zone is indicated by a sticky, black, pyritic clay gouge, carrying gold values, located on the hanging wall of the quartz vein.

A second vein occurs from 5 feet to 20 feet into the footwall from the main vein. This vein, which carries visible gold in hole #1, is associated with a lesser amount of fault gouge. It is absent in some holes and was not tested in others because of drilling problems. According to old mine plans this footwall vein does not occur to the north of the area presently drilled.

In addition to quartz, pyrite and native gold; trace amounts of chalcopyrite, molybdenite, arsenopyrite and tetrahedrite were noted in the drill core. Magnetite, sometimes altered to hematite, commonly occurs disseminated in the hanging wall, brecciated granodiorite. Small amounts of

secondary black amphibole and traces of tourmaline were noted in and near the rhyolite dyke. Chlorite, epidote, carbonate and pervasive clay alteration of feldspars are common in the country rock. A greenish, (possibly clay-sericite) alteration of some feldspars is ubiquitous in the footwall granodiorite.

GEOCHEMISTRY

Selected sludge samples from holes #1 and #2 were geochemically analysed for 30 elements by the ICP process at Acme Labs in Vancouver. Generally arsenic content increases towards the vein. The results indicate that arsenic geochemistry may be a useful technique in future exploration for gold veins in the area.

DRILLING

A total of 3,105 feet of BQ size core in eleven holes was drilled from one drill station at the end of an existing cross-cut which was rehabilitated in 1982. The mining contractor was Len's Drilling Company of Vancouver.

A 20-scale plan view and companion longitudinal cross section are enclosed and show the configuration of the holes, assay results and work accomplished by the mining crew. Figure 2 is a longitudinal cross section which shows the 1982

intercepts in relation to the mine workings, previous drilling and reserves. The following is a table of significant results:

HOLE NO.	FOOTAGE	INTERVAL (ft.)	AU oz/ton (Uncut)
1. CORE	200-202	2	.048
	202-204	2	.108
	204-206	2	.020
	206-208	2	.134
	218-220	2	.344)
			.904)
			.624 AV
SLUDGES	200-205	5	.040
	205-210	5	.058
	210-215	5	.030
	215-220	5	.032
	220-225	5	.032
	225-230	5	.046
2. CORE	205-208	3	.020
	208-211	3	.024
	211-213	2	.040
	213-215	2	.012
SLUDGES	210-215	5	.746
	215-220	5	.324
	220-225	5	.208
3. CORE	231-233	2	.238
	247-248	1	.032
	248-253	5	.140
SLUDGE	217-227	10	.062
	250-260	10	.064
4. CORE	235.5-238	2.5	.132
SLUDGE	235-240	5	.044

HOLE NO.	FOOTAGE	INTERVAL (ft.)	AU oz/ton (Uncut)
5. CORE	228-230	2	.094
	230-232	2	.096
	232-234	2	.044
	234-236	2	.032
	252-253.5	1.5	.130
SLUDGES	228-238	10	.050
	248-253	5	.042
6. CORE	246-248	2	.034
	248-250.5	2.5	1.264
	250.5-253	2.5	.030
	253-256	3	.030
SLUDGES	248-253	5	.466
	253-258	5	.100
7. CORE	213-214.2	1.2	.050
	233-234	1	.670
SLUDGE	235-240	5	.572
8. CORE	214-216	2	.032
	235-237	2	.050
9. CORE	323.5-325	1.5	.096
	328-332	4	.052
SLUDGES	323-328	5	.048
	333-338	5	.058
10. CORE	266.3-268	1.7	.458
	268-270	2	.074
	270-274	4	.990
SLUDGES	268-273	5	.094
	273-278	5	.306
	278-283	5	.240
	283-288	5	.102
	288-293	5	.138
11. CORE	411-413	2	.456
	413-415	2	.194
SLUDGES	408-413	5	2.926
	413-418	5	1.126
	418-423	5	0.518

Assay results are somewhat erratic as can be expected in gold-quartz vein mineralization. Holes #6 and #10 at the northern end of the present drilling encountered high grade material which is still open to the north. Given the angle of intersection, it was not feasible to step out north of #10 by drilling from the existing drill station. Another 250 feet of drifting and the preparation of another drill site would be necessary to properly drill below the level to the north of the 1982 intercepts. Significantly, T-U-11, the deepest hole reached the vein almost 400 feet below the #4 level and encountered 0.33 oz. Au/ton over 4 feet of poorly recovered core. A 5 foot sludge sample from this zone assayed 2.93 oz. Au/ton. Since a previously drilled deep hole about 600 feet to the north assayed 0.42 oz. Au/ton over 10.9 feet, the possibilities of a continuity of reserves to depth appear to be good. It can definitely be stated that gold values persist at least to a depth 400 feet below the #4 level.

ORE RESERVES

1. Above #4 Level, calculated by Discovery Mines in 1966:

PROVEN	(5.5' width)	51,031 tons at 0.36 oz. Au/ton
PROBABLE	(4' width)	<u>17,515</u> tons at <u>0.67</u> oz. Au/ton
		68,546 tons at 0.44 oz. Au/ton

2. Below #4 Level

PROBABLE (5.5' width)	9,730 tons at 0.45 oz. Au/ton
DRILL INDICATED (5.5' width)	7,600 tons at 0.40 oz. Au/ton
DRILL INDICATED (4' width)	<u>1,550</u> tons at <u>0.31</u> oz. Au/ton
	18,880 tons at 0.42 oz. Au/ton

TOTAL PROVEN, PROBABLE,

DRILL INDICATED 87,426 tons at 0.43 oz. Au/ton

3. Potential ore to a depth 400 feet below #4 level indicated by drill holes #6 and #10 is approximately 60,000 tons of similar grade material.

4. The deposit is open to the north and to depth.

DRIFTING

A mining crew supervised by Vic Zaporozan using equipment rented from Keno Hill Mines completed 170 feet of track drifting at a rate of 6 feet per day. Figure 4, enclosed, shows a plan view of the work done. The objective of the drifting was to provide a drill station to test for values beneath the #4 drift and to gain access to the old workings to sample and evaluate previously reported reserves.

Unfortunately access to the stopes has still not been completed because of the collapsed state of the drifts at both points of entry. Considerable ground support was required at the breakthrough to the diamond drill cross-cut in order to provide safe access. Both re-entries into the old workings were complicated by water dammed up behind the caved portions of the #4 level.

CONCLUSIONS

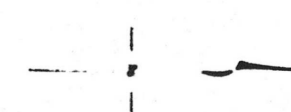
1. The bulk of the mine workings are still inaccessible even after 170 feet of drifting was done around two known caved areas.
2. A total of 3,105 feet of BQ underground drilling in eleven holes collared from an old cross-cut returned four high-grade intersections. The high-grade values are open to the north and to depth.
3. The North Zone has not been examined nor have previous EX drill results been checked by modern, larger-diameter drilling. The highest grade reserves are reported in the North Zone.
4. A further 550 feet of drifting, followed by a minimum of 4,000 feet of diamond drilling, is required to test the

north extension of the South Zone and to re-drill and extend the drilling under the high-grade North Zone.

PETER G. FOLK, P.ENG.

TECK EXPLORATIONS LTD.

DORON EXPLORATIONS INC.
 LA FORMA GOLD MINE
 MT. FREEGOLD, YUKON

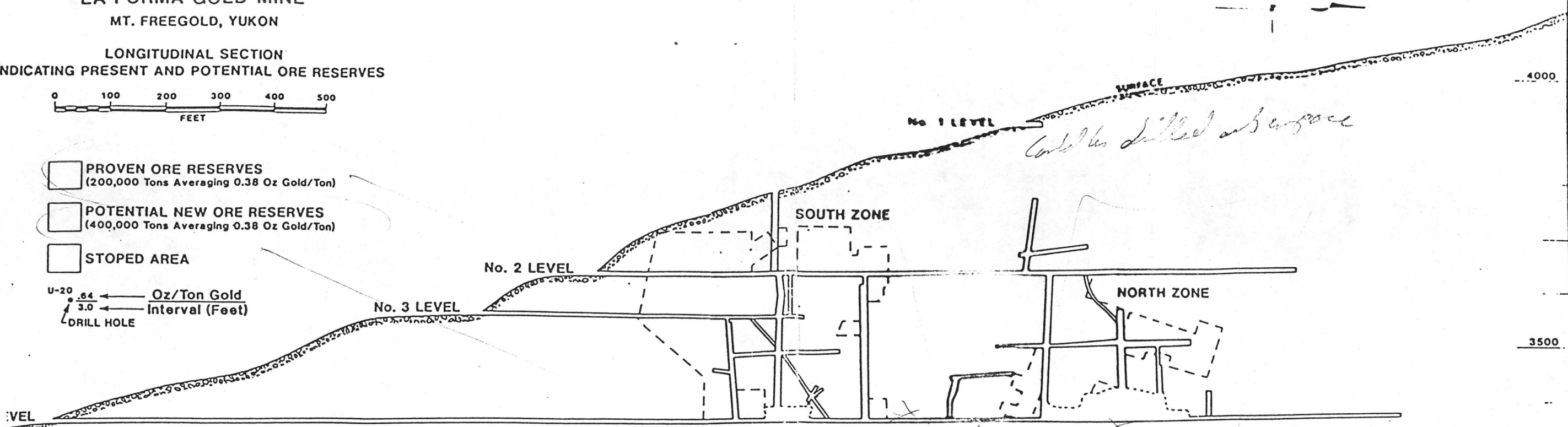


LONGITUDINAL SECTION
 INDICATING PRESENT AND POTENTIAL ORE RESERVES



- PROVEN ORE RESERVES
 (200,000 Tons Averaging 0.38 Oz Gold/Ton)
- POTENTIAL NEW ORE RESERVES
 (400,000 Tons Averaging 0.38 Oz Gold/Ton)
- STOPED AREA

U-20 $\frac{.64}{3.0}$ ← Oz/Ton Gold Interval (Feet)
 DRILL HOLE



TU-2 $\frac{.75}{5.0}$	TU-5 $\frac{.09}{4.0}$	TU-23 $\frac{.43}{4.8}$	U-11 $\frac{2.2}{7.0}$	TU-22 $\frac{.51}{6.0}$
TU-3 $\frac{.14}{6.0}$	TU-6 $\frac{.85}{6.0}$	TU-10 $\frac{.63}{7.7}$	U-22 $\frac{1.05}{11.0}$	
			TU-12 $\frac{.48}{7.5}$	
			TU-13 $\frac{.80}{11.0}$	
			TU-20 $\frac{.13}{4.2}$	U-24 $\frac{.47}{8.8}$

600,000 - Menstree

Our new #5 Level

Build raise

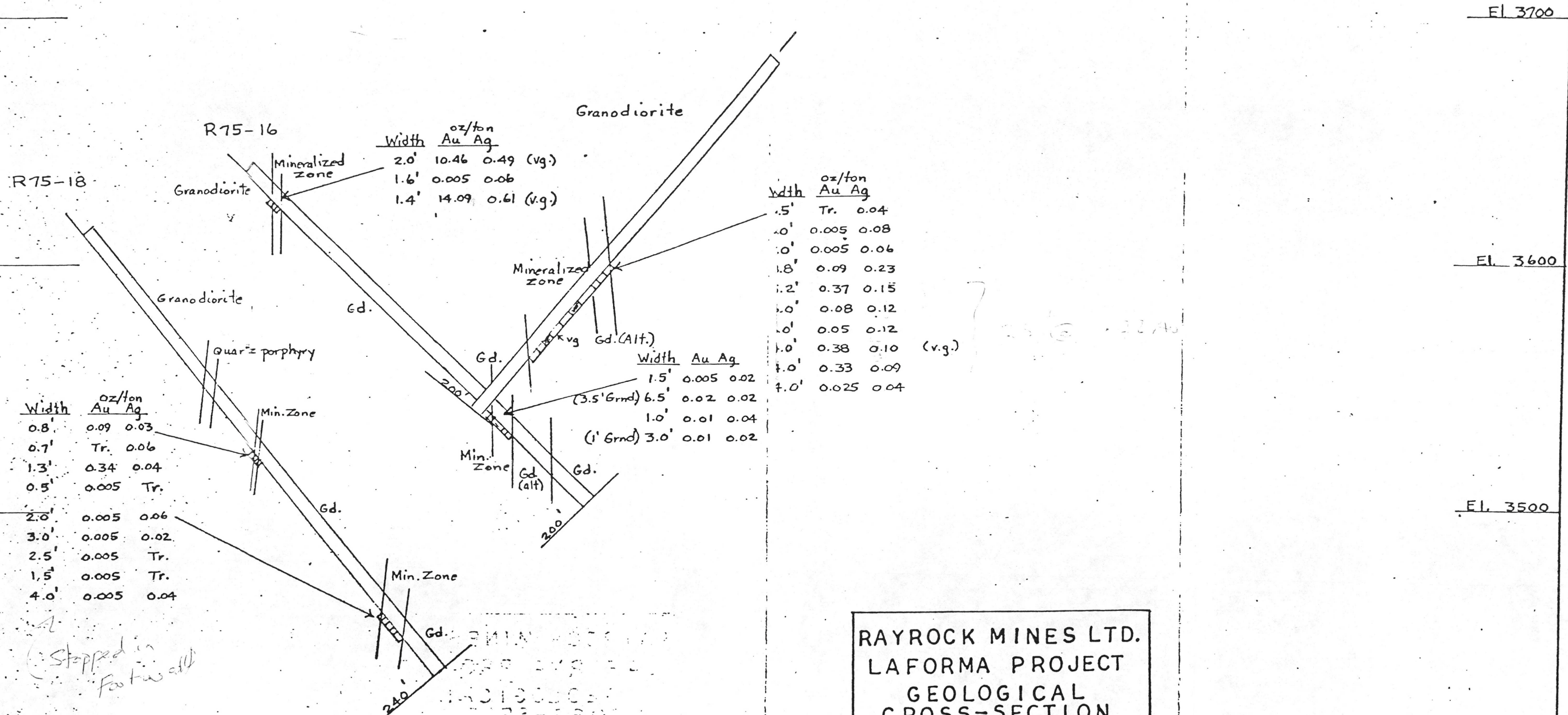
300' to 50

Could save up 400,000 tons with 10,000' of drilling

SECTION 95 SECTION 100 SECTION 105 SECTION 110 SECTION 115 SECTION 120

Schedule A

G-S extension from
 (Geochron etc anomaly) 1400' long
 R75-14



Width	oz/ton Au	oz/ton Ag
0.8'	0.09	0.03
0.7'	Tr.	0.06
1.3'	0.34	0.04
0.5'	0.005	Tr.
2.0'	0.005	0.06
3.0'	0.005	0.02
2.5'	0.005	Tr.
1.5'	0.005	Tr.
4.0'	0.005	0.04

Width	oz/ton Au	oz/ton Ag
2.0'	10.46	0.49 (v.g.)
1.6'	0.005	0.06
1.4'	14.09	0.61 (v.g.)

Width	oz/ton Au	oz/ton Ag
.5'	Tr.	0.04
1.0'	0.005	0.08
1.0'	0.005	0.06
1.8'	0.09	0.23
1.2'	0.37	0.15
1.0'	0.08	0.12
1.0'	0.05	0.12
1.0'	0.38	0.10 (v.g.)
1.0'	0.33	0.09
1.0'	0.025	0.04

Width	Au	Ag
1.5'	0.005	0.02
(3.5' Grnd) 6.5'	0.02	0.02
1.0'	0.01	0.04
(1' Grnd) 3.0'	0.01	0.02

Stopped in foot wall

RAYROCK MINES LTD.
 LAFORMA PROJECT
 GEOLOGICAL
 CROSS-SECTION
 DDH's R75-14, 16, 18,
 SCALE: 1"=40'
 DRAWN BY: J.D.W. Dec. 4/75

El. 3700

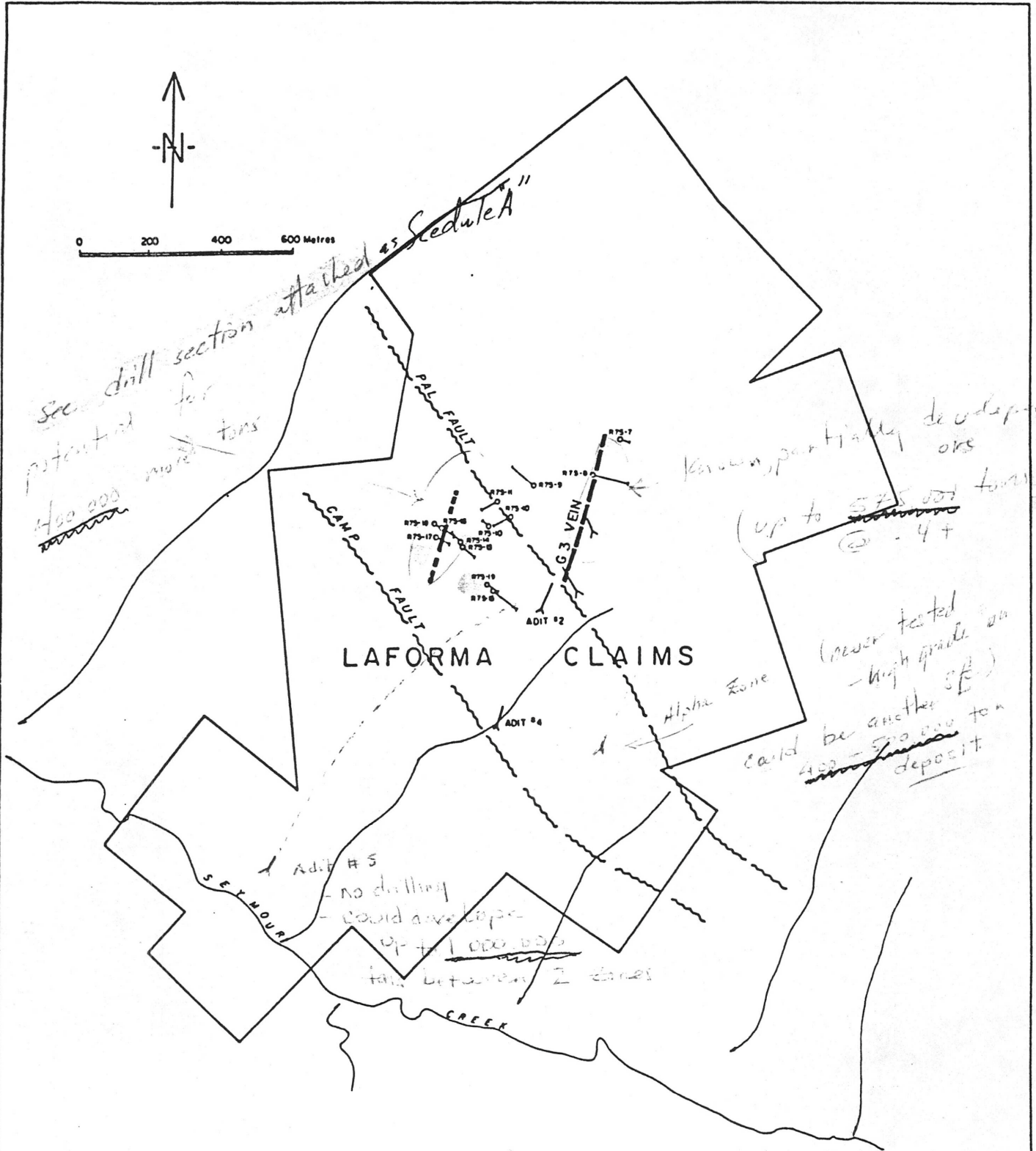
El. 3600

El. 3500

El. 3400

DDH'S R75-14, 16, 18

POTENTIAL ORE RESERVE ZONES + G-3 ORE ZONE



R. S. Adamson

DOLMAGE CAMPBELL & ASSOCIATES LTD CONSULTANTS VANCOUVER, CANADA		
REATA RESOURCES LTD. VANCOUVER, B.C.		
LAFORMA MINE		
SURFACE PLAN		
MT. FREEGOLD, YUKON		
SCALE, AS SHOWN	JUNE 1983	FIG 2